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March 2, 2020

The Honorable Jocelyn G. Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Expedited Petition of the Office of Regulatory Staff to Suspend and Hold Universal
Service Fund Disbursements to Frontier Communications of the Carolinas LLC
Docket No. 2019-352-C

Dear Ms. Boyd:

As indicated in the letter from Charles L.A. Terreni of Terreni Law Firm, LLC, attorney for Frontier Communications of the Carolinas LLC ("Frontier"), dated January 31, 2010, Frontier hereby provides its Response to the audit report filed by the Office of Regulatory Staff ("ORS") in the above referenced docket.

RESPONSE

Frontier has reviewed ORS's audit findings and recommendations and notes that ORS has not requested that the Commission take any action as a result of its report. If ORS is, in fact, requesting that the Commission order the recommendations, Frontier objects. ORS's recommendations cannot be imposed without evidentiary support. After ORS has supported its recommendations with sworn testimony, Frontier must be afforded the opportunity "to respond and present evidence on all issues involved." S.C. Code Ann. § 1-23-320(E); *see also Utils. Servs. of S.C. v S.C. Office of Regulatory Staff*, 392 S.C. 96, 109, 708 S.E.2d 755, 762 (2011) and S.C. Const art I. § 22.

Each of ORS's recommendations falls in one or more categories: (1) recommendations that, if ultimately adopted by the Commission as necessary, should apply to some or all local

service providers and are therefore inappropriate for the Commission to adopt solely for Frontier and without review and comment by those other local service providers through a rulemaking or generic proceeding; (2) recommendations for actions that, to some extent, Frontier already undertakes; (3) recommendations that are not appropriate for Frontier or any other local service provider.

Frontier addresses each of ORS's recommendations below:

1. ORS recommends Frontier develop, and submit to the Commission, (a) proposed procedures to notify the Commission, ORS, local County/City Administrators or Managers, and local County/City Emergency Managers of any extended service outage affecting the provision of 9-1-1 service to customers and (b) proposed options to provide alternate means for affected customers to contact 9-1-1 service during extended service outages.

FRONTIER RESPONSE: Frontier already has processes in place to notify PSAPs of outages that significantly affect customers' ability to contact 9-1-1 services. To the extent that the Commission believes additional notification procedures are required, those procedures should be uniform across the telecommunications industry and include not only landline providers, but also wireless, and VoIP providers. Such procedures should only be adopted after all parties have an opportunity to provide comments and input. Additionally, it is likely that PSAPs already have processes in place to notify City/County administrators of any significant outage and imposing an independent reporting requirement on Frontier or any other provider could result in unnecessary duplication and potential confusion.

2. ORS recommends Frontier report annually to the Commission on the status of the Company's switches and remotes in service that have exceeded their useful service life or are no longer supported by the equipment manufacturer and the Company's plans to upgrade and/or replace aging equipment.

FRONTIER RESPONSE: Frontier believes that an arbitrary determination that all aging equipment should be replaced is not appropriate or fiscally responsible – particularly if such equipment is functioning appropriately. Furthermore, ORS has not shown that there is a recurring problem with aging equipment either in Frontier's network, or in the networks of other South Carolina carriers of last resort. Introduction of unnecessary reporting requirements only increases the regulatory burden of the telecom industry at a time when ORS and the Commission should be seeking to eliminate such unnecessary requirements. Finally, to the extent that the Commission believes reporting on a telephone provider's network equipment is required, that type of reporting should be uniform across the telecommunications industry (or at least include all carriers of last resort) and such requirements/procedures should only be adopted after all parties have an opportunity to provide comments and input.

3. ORS recommends Frontier take the necessary steps to maintain an inventory of equipment in South Carolina sufficient to restore service in a reasonable and timely manner (within 24 to 48 hours).

FRONTIER RESPONSE: Frontier does maintain extensive inventory of replacement parts and network components within the state, and Frontier is already able to acquire out-of-state inventory within 24 hours regardless of location. ORS has not shown that Frontier's inventory processes are problematic and requiring that all hypothetically necessary spare equipment be housed within South Carolina itself is unnecessary, inefficient, and potentially costly.

4. ORS recommends Frontier perform a review of the skills and technical expertise required for South Carolina technicians to determine if additional employees and/or training is needed in South Carolina to enable its South Carolina workforce to perform tasks currently executed by the Company's Texas-based NOC technicians.

FRONTIER RESPONSE: Frontier already provides extensive training for its field and support personnel. Frontier's NOCs provide additional support to technicians, particularly for unusual and isolated situations for which no amount of advance training is likely to be applied or even remembered. Frontier also does not believe that duplication of NOC functions, whether by requiring those functions to be performed by technicians in South Carolina or by creating a redundant NOC within South Carolina, would provide any additional benefit to service restoration efforts and would unnecessarily increase costs.

5. ORS recommends Frontier implement a project monitoring system to specifically track and identify USF related capital and operational expenditures in South Carolina. The project monitoring system should enable the Company to designate capital investments or operating expenses as being funded by USF support.

FRONTIER RESPONSE: Every year, Frontier reports its local service and unregulated revenues and expenses to the Commission. As shown by those reports, Frontier's costs frequently exceed its income – even when Universal Service funds are included. Furthermore, the amount Frontier receives from the South Carolina USF is significantly less than Frontier's cost to provide local telephone service. ORS has not shown or alleged that any of the expenses that Frontier incurs to provide local telephone service are unnecessary or inappropriate. Therefore, any attempt to “assign” expenses or investments as being funded by S.C. USF support would be entirely arbitrary, and the cost of implementing and maintaining such an arbitrary reporting system would only increase Frontier's costs and reduce the amount of funding available for use in actually providing service. Furthermore, to the extent that the Commission believes use of S.C. USF should be designated towards specific USF related capital and operational expenditures and project monitoring should be required, that type of assignment and tracking should be uniform for all recipients of S.C. USF dollars and such requirements/procedures should only be adopted after all parties have an opportunity to provide comments and input.

6. ORS recommends Frontier dedicate a greater portion of the USF support the Company receives on capital investments to replace aging infrastructure in rural areas of its service territory rather than support recurring operational expenses.

FRONTIER RESPONSE: Frontier manages its expenses and capital investments to ensure that funds are used to their best effect. Requiring that Frontier increase the amount of capital investments would necessarily reduce the amount of funding available for recurring operational expenses. Furthermore, ORS has not shown – or even attempted to argue – that increasing Frontier’s capital investment is necessary for Frontier to provide affordable local telephone service in S.C. Finally, to the extent that the Commission believes use of S.C. USF should be designated towards a specific – and presumably higher - ratio of capital and operational expenditures, that ratio should be uniform for all recipients of S.C. USF dollars and such requirements should only be adopted after all parties have an opportunity to provide comments and input.

7. ORS recommends Frontier engage in efforts to budget for planned network investments and plant modernization efforts at least two fiscal years in advance.

FRONTIER RESPONSE: Frontier has extensive experience building and maintaining telecommunications networks across the country, and has not found it necessary to use formal state specific multi-year budget and planning processes to successfully provide telephone service in each of its serving areas. Frontier believes ORS’s recommendation would result in unnecessary costs and inefficient use of resources without any material benefit to its South Carolina telephone customers. Furthermore, if the Commission believes budgeting of capital expenditures should occur for some specific future period, that requirement would be more appropriately determined uniformly for all recipients of S.C. USF dollars and such requirements should only be adopted after all parties have an opportunity to provide comments and input.


CONCLUSION

Frontier believes that the Commission should not adopt any of the recommendations outlined in ORS’s audit report at this time. This is particularly true because it is Frontier’s understanding that ORS intends to begin similar audits of all other S.C. USF support recipients, and Frontier anticipates that many of the resulting recommendations are likely to be similar.

Frontier believes that, absent clear evidence that a recipient has misused S.C. USF support, ORS’s S.C. USF related audit recommendations should not be addressed in a piecemeal manner. To the extent that the Commission believes any of such recommendations made by ORS may potentially have merit, the Commission should solicit comments from, at a minimum, all other recipients of support from the S.C. USF and should do so in a single evidentiary proceeding that addresses potential requirements of the S.C. USF in a more comprehensive manner.

Please let me know if Frontier can provide additional information regarding this matter.

Sincerely,


Susan Miller

c: Counsel of Record